

Councillor Lyle Davy,
Chair of Accounts and Audit Committee
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21 February 2017

Dear Councillor Davy,

**Pendle Borough Council: Financial Statements for the Year End 31 March 2017
- Understanding how the Audit Committee gains assurance from management**

To comply with International Auditing Standards, we need to establish an understanding of how the Accounts and Audit Committee gains assurance over management processes and arrangements.

I would be grateful, therefore, if you could write to me in your role as Chair of the Accounts and Audit Committee with your responses to the following questions.

- 1 How does the Accounts and Audit Committee oversee management's processes in relation to:
 - carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error
 - identifying and responding to the risk of breaches in internal control
 - identifying and responding to risks of fraud in the organisation (including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist)
 - communicating to employees its views on appropriate business practice and ethical behavior (for example by updating, communicating and monitoring against the relevant codes of conduct)?
- 2 How will the Accounts and Audit Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?
- 3 Do you have knowledge of any actual, suspected or alleged frauds? If so, please provide details.
- 4 Are you aware of any aspects of the Council's system of internal control where you believe that appropriate internal controls are not in place or have not been operating effectively?
- 5 How does the Accounts and Audit Committee gain assurance that all relevant laws and regulations have been complied with?

- 6 Are you aware of any actual or potential litigation or claims that would affect the financial statements?
- 7 Have you received or are you aware of any complaints received from whistleblowers?
- 8 Are you aware of any related party transactions that could give rise to the risk of fraud?
- 9 Have there been any reports from other regulatory bodies, such as HMRC, which indicate non-compliance?

To assist you with preparing this response I have provided an electronic template which you can use to help prepare your response. I have arranged with the Financial Services Manager that your response can be included on the agenda for the meeting of the Accounts and Audit Committee to be held on 21st March 2017. This will provide an opportunity for the members of the Committee to consider the Committee's response. However, it is important for me to ensure that the assurances I have obtained from the Committee cover the 2016/17 financial year in full so could you ensure that the final version of your response reflects the position as at 31 March 2017. In order to demonstrate this, I would be grateful if you could date your response after the financial year-end. If there are any major issues that come to light subsequent to the Audit Committee's meeting on 21 March 2017, I trust that these can be considered at a future meeting of the committee.

Yours sincerely

Neil Krajewski

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